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COMMENTS

INJUNCTIVE RELIEF FOR TRADEMARK INFRINGEMENT — THE SECOND CIRCUIT MISSES THE MARK: *HOME BOX OFFICE v. SHOWTIME/THE MOVIE CHANNEL*

The modern cause of action for trademark infringement has its origins in common law tort concepts of unfair competition.¹ Trademark infringement actions are governed by the Trademark Act of 1946² ("the Lanham Act"), which is intended to protect the

¹ See, e.g., *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (trademark law "but a part of the broader law of unfair competition"); *United States Ozone Co. v. United States Ozone Co. of Am.*, 62 F.2d 881, 885 (7th Cir. 1932) (comparing trademark principles to those of unfair competition); *Thomas Kerfoot & Co. v. Louis K. Liggett Co.*, 59 F.2d 80, 82 (D. Mass. 1932) (trademark infringement and unfair competition essentially the same wrong); see also 1 J. McCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 5:2, at 133-35 (1984) (origins of infringement action). The cause of action for infringement has its origin in the common law tort of "passing off" or "palming off." See, e.g., *Sweet Sixteen Co. v. Sweet "16" Shop*, 15 F.2d 920, 921 (8th Cir. 1926) (discussing infringement and palming off); *Kroll Bros. v. Rolls-Royce*, 126 F.2d 495, 497 (C.C.P.A. 1942) (trademark law aimed at preventing passing off); see also 2 J. McCARTHY, *supra*, § 25:1, at 232-40 (discussing passing off). This terminology resulted from the fact that a party's trademark or trade name was viewed as a property right, requiring the plaintiff to demonstrate that its competitor had affirmatively "passed off" his competing goods as those of the plaintiff-originator. See *The Trademark Cases*, 100 U.S. 82, 92-93 (1879) (discussing common law right of property in trademark); *Callmann, False Advertising as a Competitive Tort*, 48 COLUM. L. REV. 876, 877 (1948); cf. *American Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 286-87 (6th Cir. 1900) (plaintiff had no exclusive property right in common name "aluminum," and so had no infringement claim despite fact that defendant was utilizing name to falsely describe his non-aluminum product); *New York & R. Cement Co. v. Coplay Cement Co.*, 44 F. 277, 279 (C.C.E.D. Pa. 1890) (area manufacturers could not assert property right in town name when name was falsely used to designate defendant's out of town product, since no exclusive right to use town name existed).

² Lanham Act, ch. 540, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1982 & Supp. IV 1986)).

The Lanham Act, a statutory compilation of existing federal trademark statutes, was

originator of a trademark or tradename from both illegal infringement³ and the unfair competition that results from such infringement.⁴ In furtherance of these goals, the Lanham Act empowers

the first federal law to clearly create a federal right in trademarks. *See, e.g.*, *S.C. Johnson & Son v. Johnson*, 175 F.2d 176, 178 (2d Cir.) (Lanham Act creates federally sanctioned civil liability), *cert. denied*, 338 U.S. 860 (1949); 1 A. SEIDEL, S. DUBROFF & E. GONDA, *TRADEMARK LAW AND PRACTICE* § 1.11, at 29-30 (1963); *see also* Lanham Act § 45, 15 U.S.C. § 1127 (1982 & Supp. IV 1986) (construction and intent of Lanham Act).

³ *See* *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844, 853-54 (1982) (discussing scope of modern infringement action); *Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 713-15 (8th Cir. 1980) (purpose of section 43(a)); Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1982). Section 43(a) of the Lanham Act states in pertinent part:

Any person who shall affix, apply, or annex, or use in connection with any goods or services . . . a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

Id.

The Lanham Act defines trademark as "includ[ing] any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured or sold by others." Lanham Act § 45, 15 U.S.C. § 1127 (1982 & Supp. IV 1986).

The Act provides that a trade name can include "names and surnames, firm names and trade names" of manufacturers, merchants, and other businesses that serve to identify that business. *See id.* Hence, the term "trade name" generally refers to an actual business entity, while "trademark" identifies a particular product or service. *See, e.g., In re Pennsylvania Fashion Factory*, 588 F.2d 1343, 1345 (C.C.P.A. 1978) (distinguishing trademark and trade name under Lanham Act); 1 J. MCCARTHY, *supra* note 1, § 4:4, at 125-27; *see also* ANDUR, *TRADEMARK LAW & PRACTICE* § 4 (1962) (distinguishing trademark and trade name).

⁴ *See* Lanham Act § 45, 15 U.S.C. § 1127 (1982 & Supp. IV 1986). Section 45 provides, in pertinent part, that among the Act's purposes is "to protect persons engaged in . . . commerce against unfair competition [and] to prevent fraud and deception in . . . commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks." *Id.*

Early interpretations of the Lanham Act restricted the cause of action for infringement to previous common law parameters. *See, e.g., Chamberlain v. Columbia Pictures Corp.*, 186 F.2d 923, 925 (9th Cir. 1951) (no cause of action without showing an injury to property through "passing off"); *Samson Crane Co. v. Union Nat'l Sales*, 87 F. Supp. 218, 222 (D. Mass. 1949) (advocating limiting cause of action under section 43(a) to "passing off" cases), *aff'd*, 180 F.2d 896 (1st Cir. 1950); *see also supra* note 1 (discussing common law infringement action).

In 1954, in a major Lanham Act decision, the Third Circuit deviated from the common law approach to trademark infringement. *See L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651-54 (3d Cir. 1954). The *L'Aiglon* court read section 43(a) of the Act as creating a federal tort cause of action capable of enforcement by various plaintiffs. *Id.* at 651; Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1982). In *L'Aiglon*, the plaintiff sought relief from defendant's use of a picture of the plaintiff's expensive product in advertisements for defendant's less expensive product. *Id.* at 650. The Third Circuit held that the common law

the courts to grant injunctive relief mandating discontinuance of a party's infringing use.⁵ The decision as to the appropriateness of

requirement of "palming off" need not be proven under the Lanham Act. *Id.* at 651. The court suggested that the Lanham Act might "reflect[] the . . . viewpoint . . . of the Restatement of Torts." See *id.* Section 761 of the Restatement, which was quoted by the *L'Aiglon* court, provided for civil liability of a party who deliberately and falsely represented his goods as having the qualities of another's. See RESTATEMENT OF TORTS § 761 (1939).

The *L'Aiglon* court further held that a violation of section 43(a) provides an independent basis for federal jurisdiction without any diversity or amount in controversy requirement. *L'Aiglon*, 214 F.2d at 651. Other circuits have since adopted the *L'Aiglon* court's view of the Lanham Act. See, e.g., *Alum-a-Fold Shutter Corp. v. Folding Shutter Corp.*, 441 F.2d 556, 557 (5th Cir. 1971) (section 43(a) provides independent grounds of federal jurisdiction); see also *Iowa Farmers Union v. Farmers' Educ. & Coop. Union*, 247 F.2d 809, 819 (8th Cir. 1957) (same).

Decisions since *L'Aiglon* have followed that court's lead and extended the protection of section 43(a) by broadly construing the language of the statute. See, e.g., *Proctor & Gamble Co. v. Chesebrough-Pond's Inc.*, 747 F.2d 114, 119 (2d Cir. 1984) (section 43(a) cause of action requires neither "literal or obvious falsehood," nor "intent to deceive"). For example, the phrase "false designation of origin" has been construed to apply not only to geographic location, but also to various aspects of a good's origin. See, e.g., *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980) (false designation "has been broadly construed to encompass instances of one competitor 'palming off' his goods as those of another by means of confusing packaging or labeling of his product"); *Federal-Mogul-Bower Bearings v. Azoff*, 313 F.2d 405, 408 (6th Cir. 1963) (definition of origin extends beyond geographic location to identity of manufacturer); Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1982).

"False description" has also been substantially expanded to include descriptions that are misleading or likely to deceive. See *Proctor & Gamble*, 747 F.2d at 119 (section 43(a) applied not only to literal falsehoods, but also to ambiguity and "innuendo"); *Vidal Sassoon, Inc. v. Bristol-Myers Co.*, 661 F.2d 272, 277 (2d Cir. 1981) (same); *American Home Prods. Corp. v. Johnson & Johnson*, 577 F.2d 160, 165 (2d Cir. 1978) (same); Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1982); see also Allison, *Private Cause of Action for Unfair Competition Under the Lanham Act*, 14 AM. BUS. L.J. 1, 11 (1976) (a "literally true" statement is actionable if deceptive); Bauer, *A Federal Law of Unfair Competition: What Should be the Reach of Section 43(a) of the Lanham Act?*, 31 UCLA L. REV. 671, 691-93 (1983) (examples of various forms of "false advertising").

Courts have also recently held that, in line with the purpose of protecting businesses from false advertising, section 43(a) is also intended to prevent confusion in the minds of consumers as to the origin of goods. See *Lois Sportswear, U.S.A. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986); *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979).

⁵ See Lanham Act § 34, 15 U.S.C. § 1116(a) (Supp. IV 1986) (authority of courts hearing actions under act to grant injunctions).

The primary rationale behind a preliminary injunction is to prevent a party from incurring further damages before trial on the merits, thus preserving the court's ability to administer appropriate relief. See *Tri-State Generation v. Shoshone River Power*, 805 F.2d 351, 355 (10th Cir. 1986) (purpose of preliminary injunction to preserve status quo and "power to render a meaningful decision"); *United States v. Alabama*, 791 F.2d 1450, 1459 (11th Cir.) (purpose to prevent irreparable injury and maintain court's ability to administer relief), *cert. denied*, 107 S. Ct. 1287 (1986); 4 R. CALLMAN, UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 22.36, at 171 (4th ed. 1983) (general discussion of preliminary injunction in trademark cases). Such protection might be particularly essential in a case involving unfair

such a remedy is a matter of substantial judicial discretion at the trial level.⁶ Trial courts may permit a party to continue use of a protected name or mark provided an appropriate disclaimer, designed to avoid consumer confusion, is utilized.⁷ On review, an

competition, where a competitor may be deliberately seeking to damage the reputation of the competing plaintiff. *See id.*

Since an injunction seeks to prevent further damage by the defendant, it logically follows that proof of "likelihood of irreparable harm" is part of the plaintiff's burden of proof. *See Sampson v. Murray*, 415 U.S. 61, 90 (1974) (possibility of adequate money damages or corrective relief weigh heavily against injunctive relief); *Brown v. Chote*, 411 U.S. 452, 456 (1973) (irreparable harm proper part of district court's test for injunctive relief); *Buckingham Corp. v. Karp*, 762 F.2d 257, 262 (2d Cir. 1985) (irreparable injury is "linchpin" of preliminary injunction requirements). Additionally, a plaintiff seeking a preliminary injunction must demonstrate a likelihood of success on the merits or, at least, a "sufficiently serious question going to the merits" with the "balance of hardships" falling on the plaintiff. *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189, 192 (2d Cir. 1985) (quoting *Jackson Dairy, Inc. v. H.P. Hood & Sons*, 596 F.2d 70, 72 (2d Cir. 1979)). *See generally* 4 R. CALLMAN, *supra*, §§ 22.36-22.39 (discussing preliminary injunction in trademark cases); 2 J. MCCARTHY, *supra* note 1, §§ 30:15-30:18 (same).

⁶ *See* Lanham Act § 34, 15 U.S.C. § 1116 (Supp. IV 1986). The Lanham Act specifically provides for wide latitude in framing equitable remedies: "[The courts] shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable." *Id.* This wide latitude given the district courts has as its basis the equitable nature of the remedy and the equitable principle that the "nature of the violation determines the scope of the remedy." *Swann v. Charlotte-Mecklenburg Bd. of Educ.*, 402 U.S. 1, 16 (1971); *see also Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944) (equitable injunctive relief not matter of right but within courts' discretion).

⁷ *See Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 724 F.2d 352, 356 (2d Cir. 1983) (conspicuous disclaimer adequate to avoid confusion); *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 441 F. Supp. 1220, 1234 (S.D.N.Y. 1977) (requiring prominently displayed disclaimer to lessen likelihood of future confusion), *aff'd*, 580 F.2d 44 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979). The basis for injunctive relief under the Lanham Act is a showing of a likelihood of confusion regarding the source of the infringing party's product. Lanham Act §§ 32(1), 43(a), 15 U.S.C. §§ 1114(1), 1125(a) (1982); *see Standard & Poors Corp. v. Commodity Exch.*, 683 F.2d 704, 708 (2d Cir. 1982). It follows that a disclaimer capable of eliminating this confusion should, in theory, be an adequate remedy. *See, e.g., Calvin Klein Cosmetics v. Parfums de Coeur, Ltd.*, 824 F.2d 665, 670-71 (8th Cir. 1987) (disclaimer adequate to alleviate consumer confusion); *Frisch's Restaurant v. Elby's Big Boy*, 670 F.2d 642, 650 (6th Cir.) (disclaimer adequate to remedy "false impressions"), *cert. denied*, 459 U.S. 916 (1982); *Stormer v. Johnson*, 587 F. Supp. 275, 280 (W.D. Mich. 1984) (disclaimer utilized in preliminary injunction to protect plaintiff without unduly injuring defendant).

The granting of a limited injunction which provides for a disclaimer presents a complex issue for appellate review. If viewed as within the trial court's discretionary authority, such an injunction should not be disturbed absent a finding of abuse of discretion. *See, e.g., Soltex Polymer Corp. v. Fortex Indus.*, 832 F.2d 1325, 1329-30 (2d Cir. 1987) (finding that disclaimer-based injunction not abuse of discretion); *Calvin Klein*, 824 F.2d at 668-69 (circuit court cannot reverse preliminary injunction absent "erroneous factual determination, an error of law or an abuse of discretion"); *see also Spring Mills*, 689 F.2d at 1136 (task of devising injunction to remove confusion left to district court).

If attacked as inadequate to alleviate the likelihood of confusion between the goods involved, the sufficiency of a disclaimer might be reviewed as a question of law, fact, or both,

appellate court may not generally reverse or modify such a determination without first finding that the district court abused its discretion.⁸ Recently, in *Home Box Office, Inc. v. Showtime/The Movie Channel, Inc.*,⁹ the United States Court of Appeals for the Second Circuit affirmed a district court's decision granting a preliminary injunction under the Lanham Act, but vacated the lower court's determination to allow the use of materials containing a disclaimer.¹⁰

In *Home Box Office*, defendant Showtime, a cable television subscription service, had commenced an advertising campaign prominently utilizing the mark of its competitor, plaintiff Home Box Office ("HBO").¹¹ Showtime claimed that its new advertising was intended to demonstrate that Showtime and HBO each offered exclusive programs and, therefore, were complementary, albeit

depending upon how the particular circuit views the confusion question. Compare *Kimberly-Clark Corp. v. H. Douglas Enters.*, 774 F.2d 1144, 1146 (Fed. Cir. 1985) (likelihood of confusion as question of law) with *Louisiana World Exposition v. Logue*, 746 F.2d 1033, 1039 (5th Cir. 1984) (likelihood of confusion as a question of fact) and *Plus Prods. v. Plus Discount Foods*, 722 F.2d 999, 1004-05 (2d Cir. 1983) (determinations as to individual factors causing likelihood of confusion are questions of fact; balancing of these factors is question of law).

For recent criticism of the efficacy of the disclaimer remedy, see generally Jacoby & Raskopf, *Disclaimers in Trademark Infringement Litigation: More Trouble Than They are Worth?*, 76 TRADEMARK REP. 35 (1986); Radin, *Disclaimers as a Remedy for Trademark Infringement: Inadequacies and Alternatives*, 76 TRADEMARK REP. 59 (1986).

⁸ See, e.g., *Kasper v. Board of Election Comm'rs*, 814 F.2d 332, 339 (7th Cir. 1987) (abuse of discretion is "serious error of judgment"); *Kern v. TXO Prod. Corp.*, 738 F.2d 968, 970 (8th Cir. 1984) (abuse of discretion occurs when district court ignores relevant factors, considers irrelevant factors, or improperly weighs relevant factors); see also *Founding Church of Scientology v. Webster*, 802 F.2d 1448, 1451 (D.C. Cir. 1986) (discussing rationale for giving deference to the trial court), *cert. denied*, 108 S. Ct. 199 (1987); *Friendly, Indiscretion About Discretion*, 31 EMORY L.J. 747, 773-78 (1982) (discussing approaches to abuse of discretion within various circuits). Judge Friendly noted that appellate courts will often avoid having to deal with the "abuse of discretion" issue by determining that the lower court based its determination upon an "erroneous view of the law." See *id.* at 776.

Despite the variation in interpretation, the circuits generally apply the "abuse of discretion" standard when reviewing Lanham Act injunctions. See, e.g., *Stormy Cline Ltd. v. Progroup, Inc.*, 809 F.2d 971, 973, 979 (2d Cir. 1987) (failure to apply correct legal standard was abuse of discretion); *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 141-42 (3d Cir. 1981) (trial court's denial of preliminary injunction was abuse of discretion); *Miss Universe, Inc. v. Fleisher*, 605 F.2d 1130, 1135 (9th Cir. 1979) (granting of limited injunction was abuse of discretion as limits of injunction negated its benefits).

⁹ 832 F.2d 1311 (2d Cir. 1987).

¹⁰ See *id.* at 1317.

¹¹ *Id.* at 1313. The registered trademark "HBO" had been used regularly by Home Box Office in its own advertising and preceded all Home Box Office presentations. *Id.*

competitive, services.¹² Showtime maintained that its new slogan, "SHOWTIME & HBO. It's Not Either/Or Anymore," and several permutations thereof, made this relationship clear.¹³ Showtime utilized various physical and electronic media to communicate these slogans.¹⁴ To prevent continued use of its mark, HBO brought suit under the Lanham Act and moved for a preliminary injunction alleging, *inter alia*, unfair competition and trademark infringement.¹⁵ The United States District Court for the Southern District of New York granted the motion, and enjoined Showtime's further use of the slogan.¹⁶ In framing the injunction, the court provided that the slogans could be used if accompanied by an appropriate disclaimer.¹⁷ On appeal, the Second Circuit held that the district court lacked sufficient evidence upon which to base its determination of disclaimer adequacy, and vacated the portion of that order which limited the injunction.¹⁸

Writing for the *Home Box Office* court, Judge Lumbard affirmed the district court's determination of "likelihood of confusion," as well as the lower court's holding as to the appropriateness of injunctive relief.¹⁹ Judge Lumbard, however, disagreed with the

¹² *Id.* at 1314-15. Showtime also claimed that it intended the use of the "HBO" mark in its campaign to "differentiate the two services and . . . not to suggest any link between them." *Id.* at 1314.

¹³ *Id.* at 1313-14. The other slogans were: "THE MOVIE CHANNEL & HBO. It's Not Either/Or Anymore;" "SHOWTIME & HBO. Together is Better;" "Why SHOWTIME & HBO make such a perfect pair;" and "Play the Showtime PERFECT (HBO, Showtime) PAIR Instant Winner Game." *Id.* at 1313.

¹⁴ *Id.* at 1313. The new campaign was introduced at the National Cable Television Association Convention in May of 1987. *Id.* The means utilized in presenting the slogan to conventioners included an outdoor billboard, a hot air balloon, a rolling billboard, promotional video tapes, assorted signs, promotional pens, tote bags, sunglasses, buttons, and cookies. *Id.*

¹⁵ *Id.*; see *supra* notes 2-5 and accompanying text (discussion of Lanham Act).

¹⁶ *Home Box Office v. Showtime/The Movie Channel*, 665 F. Supp. 1079, 1086 (S.D.N.Y.), *aff'd in part, vacated in part*, 832 F.2d 1311 (2d Cir. 1987).

¹⁷ See *id.* at 1087. The district court also found that new promotional materials presented by Showtime at the hearing contained adequate disclaimers. *Id.* at 1085-86. HBO objected to the lower court's consideration of these promotional materials on the grounds that it (HBO) had not been given adequate notice that they would be presented to the court. *Home Box Office*, 832 F.2d at 1312-13; see *infra* note 18.

¹⁸ See *Home Box Office*, 832 F.2d at 1316. The circuit court based this determination, in part, on its holding that HBO had not received adequate notice of the materials that Showtime introduced at the hearing. See *id.* at 1315.

¹⁹ See *id.* at 1314-15. The *Home Box Office* court agreed with the district court's conclusion that continued use of the slogan was likely to cause consumer confusion and stated that this factor, "coupled with the likelihood that HBO will also succeed on the merits, makes a preliminary injunction the proper remedy." *Id.* at 1315; see *supra* note 5 (tests for

district court's conclusions as to the efficacy of Showtime's proposed disclaimers, holding that the burden of proof was upon Showtime "to demonstrate that any proposed materials [utilizing the disclaimer] would significantly reduce the likelihood of consumer confusion," and that Showtime had failed to carry this burden.²⁰ Judge Lumbard stated that allocating the burden of proof to the defendant on this issue served four valuable functions.²¹ First, such an allocation acknowledged that HBO had sufficiently demonstrated that consumer confusion was likely to result from the use of Showtime's slogans.²² Second, it recognized that Showtime had infringed on HBO's trademark and could not continue to do so.²³ Third, HBO was relieved from having to demonstrate a likelihood of confusion each time Showtime developed a new disclaimer.²⁴ Lastly, such an allocation was consistent with the court's interpretation of the Lanham Act's purpose to protect both the holders of trademarks and consumers.²⁵

Although the *Home Box Office* court presented a thoughtful analysis regarding allocation of the burden of proof, it is submitted that the Second Circuit failed to adequately define its grounds for vacating the district court's decision. The cost of this failure was the loss of an opportunity to establish a definitive analysis for Lanham Act trademark infringement cases at both the trial and appellate level. This Comment will outline appropriate methodology whereby the *Home Box Office* rule can be combined with previously delineated criteria in order to establish such an analysis.

issuing preliminary injunctions).

²⁰ See *id.* at 1316. Supporting this shift in burden of proof as to the adequacy of proposed disclaimers, Judge Lumbard relied on authority from other circuits in which disclaimers were held to be inadequate. *Id.* at 1315; see *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 142 (3d Cir. 1981) (disclaimer inadequate considering high risk of confusion involved); *Miss Universe, Inc. v. Flescher*, 605 F.2d 1130, 1134-35 (9th Cir. 1979) (making grammatical distinctions between marks held insufficient to remedy confusion). The court further noted a general dissatisfaction among legal scholars with the adequacy of disclaimer remedies. See *Home Box Office*, 832 F.2d at 1315-16. See generally *Jacoby & Raskopf*, *supra* note 7, at 54 (discussing adequacy of disclaimer remedies and alternatives); *Radin*, *supra* note 7, at 72 (same).

²¹ See *infra* notes 22-25 and accompanying text.

²² See *Home Box Office*, 832 F.2d at 1316.

²³ See *id.* The court explained that the imposition of this burden on the defendant would prevent Showtime from utilizing the HBO trademark unless Showtime could demonstrate that its use was no longer infringing. See *id.*

²⁴ See *id.*

²⁵ See *id.* at 1316-17.

THE TRIAL LEVEL: TESTS AND REMEDIES

Before granting a motion for a preliminary injunction, a district court in the Second Circuit must determine that the movant has demonstrated both a "likelihood of success on the merits" and a probability of irreparable harm if the motion is denied.²⁶ As applied to Lanham Act infringement cases, both requirements are deemed satisfied when the movant shows that the other party's use of its mark has caused a high likelihood of confusion among consumers as to the origin of the goods or services involved.²⁷ Most circuits have treated the determination of likelihood of confusion as either solely a question of law or solely a question of fact.²⁸ The Second Circuit has adopted a hybrid approach, however, holding that while the determination as to the various factors utilized in Lanham Act analysis with regard to the specific facts of each case is a question of fact,²⁹ the weighing of these various factors and the

²⁶ See *supra* note 5; see also *Kaplan v. Board of Educ.*, 759 F.2d 256, 259 (2d Cir. 1985) (describing two-prong test); *Buffalo Forge Co. v. Ampco-Pittsburgh Corp.*, 638 F.2d 568, 569 (2d Cir. 1981) (same). Other circuits utilize a similar test. See, e.g., *Foundation on Economic Trends v. Heckler*, 756 F.2d 143, 151 (D.C. Cir. 1985) (four-prong test featuring Second Circuit elements); *In re DeLorean Motor Co.*, 755 F.2d 1223, 1228 (6th Cir. 1985) (same); *SI Handling Sys. v. Heisley*, 753 F.2d 1244, 1254 (3d Cir. 1985) (same). See generally 4 R. CALLMAN, *supra* note 5, § 22.36, at 171-72 (comparison of various circuits' tests); Mulligan, *Preliminary Injunction in the Second Circuit*, 43 BROOKLYN L. REV. 831, 833-39 (1977) (evolution of preliminary injunction tests).

In deciding on a motion for a preliminary injunction, a federal court generally considers the following factors: probability of success, risk of irreparable harm, the effectiveness of the injunction in preserving the status quo as it existed prior to the dispute, and the effect of the injunction in protecting third parties. See *Foundation on Economic Trends*, 756 F.2d at 151; *In re DeLorean*, 755 F.2d at 1228; 2 J. MCCARTHY, *supra* note 1, § 30:15, at 483. McCarthy suggests that despite variation among the circuits, all of the courts "either explicitly or implicitly" include these factors. *Id.*

²⁷ See *Lobo Enters. v. Tunnel, Inc.*, 822 F.2d 331, 333 (2d Cir. 1987) (utilizing likelihood of confusion test). In determining the likelihood of confusion, the court need not require evidence of the occurrence of actual confusion. See *id.* However, some form of substantive evidence beyond the subjective belief of the moving party must be offered to prove the likelihood that consumers will be misled. See *Coca-Cola v. Tropicana Prods.*, 690 F.2d 312, 316-17 (2d Cir. 1982) (advocating use of market surveys to prove likelihood of confusion); *Vidal Sassoon, Inc. v. Bristol Myers Co.*, 661 F.2d 272, 278 (2d Cir. 1981) (market studies admissible as evidence).

²⁸ The majority of the circuits treat likelihood of confusion as a question of fact. See, e.g., *Amoco Oil Co. v. Rainbow Snow, Inc.*, 809 F.2d 656, 661-62 (10th Cir. 1987); *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1427-28 (7th Cir. 1985), *cert. denied*, 475 U.S. 1147 (1986); *Jellibeans, Inc. v. Skating Clubs of Ga.*, 716 F.2d 833, 839-40 (11th Cir. 1983); 2 J. MCCARTHY, *supra* note 1, § 23:22, at 107-08. The Federal Circuit still seems to maintain that likelihood of confusion is a question of law. See *Kimberly-Clark Corp. v. H. Douglas Enters.*, 774 F.2d 1144, 1146 (Fed. Cir. 1985).

²⁹ See *Plus Prods. v. Plus Discount Foods*, 722 F.2d 999, 1004-05 (2d Cir. 1983). The

ultimate conclusion as to likelihood of confusion is a question of law.³⁰ The factors to be utilized in making such a determination were first set forth by the Second Circuit in *Polaroid Corp. v. Polarad Electronics Corp.*³¹

The *Polaroid* court listed eight factors to be weighed when determining the likelihood of consumer confusion among seemingly noncompeting products.³² Such factors include the strength of the complainant's mark, the similarity between the two marks involved, the proximity of the products in the marketplace, evidence of actual consumer confusion between two marks, the alleged infringing party's good faith in adopting the complainant's mark, and the sophistication of the buyers in the markets involved.³³ Originally, these factors were applied to noncompeting goods that occupied different markets.³⁴ However, the modern trend has been to extend their use to cases where the goods were, at least arguably, in direct competition.³⁵

Third and Ninth Circuits also view the ultimate conclusion as to the likelihood of confusion as a question of law, but the analysis of the factors underlying this conclusion as a question of fact. See *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (9th Cir. 1984); *Sears, Roebuck & Co. v. Johnson*, 219 F.2d 590, 591 (3d Cir. 1955). Recently, in denying certiorari to an infringement decision, the Supreme Court passed up an opportunity to define the nature of the "likelihood of confusion" question. See *Elby's Big Boy v. Frisch's Restaurants*, 459 U.S. 916, 916 (1982). Justice White dissented to the denial on the ground that the Court should have settled "the split in the lower courts." *Id.* at 916-17 (White, J., dissenting).

Whether a particular question is treated as a question of "law" or "fact" is of substantial importance on appeal in the federal courts. "[F]indings of fact . . . shall not be set aside unless clearly erroneous." FED. R. CIV. P. 52(a) (emphasis added); see *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844, 855 (1982) (appellate court must accept factual findings unless left with "definite and firm conviction that a mistake" was made). On the other hand, if a lower court's finding is reviewed as a question of "law," an appellate court need not defer to the trial court's conclusion. See *Hanly v. Kleindienst*, 471 F.2d 823, 828 (2d Cir. 1972) (question of law subject to *de novo* review), *cert. denied*, 412 U.S. 908 (1973).

³⁰ See *Plus Prods.*, 722 F.2d at 1004-05; see also *Charles of the Ritz Group v. Quality King Distribs.*, 832 F.2d 1317, 1323 (2d Cir. 1987) (lower court's findings of likelihood of confusion a "legal conclusion"); 2 J. MCCARTHY, *supra* note 1, § 23:22, at 109-10 (comparing various circuits' approaches).

³¹ 287 F.2d 492, 495 (2d Cir.) (Friendly, J.), *cert. denied*, 368 U.S. 820 (1961).

³² See *id.*

³³ *Id.* at 495. Judge Friendly, after listing the factors, went on to observe that "[e]ven this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account." *Id.*

³⁴ See *id.*

³⁵ See, e.g., *Charles of the Ritz Group v. Quality King Distribs.*, 832 F.2d 1317, 1321-23 (2d Cir. 1987) (*Polaroid* factors utilized in comparing two similar perfumes in different price ranges); *Lobo Enters. v. Tunnel, Inc.*, 822 F.2d 331, 333 (2d Cir. 1987) (factors used in comparing large night club with more exclusive gay club); *Lois Sportswear U.S.A. v. Levi Strauss & Co.*, 799 F.2d 867, 873-76 (2d Cir. 1986) (comparing designer and non-designer

None of the *Polaroid* factors are considered individually determinative; rather, they are intended to be balanced together.³⁶ The "strength of the mark" factor has been subject to considerable judicial examination, and a hierarchy of trademark categories exists for purposes of its analysis, with each category in the hierarchy subject to a different degree of protection.³⁷ In ascending order, according to the level of protection they are afforded, these categories are generic,³⁸ descriptive,³⁹ suggestive,⁴⁰ and arbitrary or fanci-

blue jeans); *Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960, 963 (2d Cir. 1981) (different snack chips sharing some competing uses). The *Vitarroz* court stated that "[s]ince the *Polaroid* decision, we have consistently considered all the *Polaroid* factors . . . despite the similarity of the marks and the close proximity of the products." *Id.* at 966; cf. *Standard & Poor's Corp. v. Commodity Exch.*, 683 F.2d 704, 708 (2d Cir. 1982) (*Polaroid*-like list utilized in comparing exact copying of plaintiff's service). *But see Stormy Clime Ltd. v. ProGroup, Inc.*, 809 F.2d 971, 973-79 (2d Cir. 1987) (*Polaroid* factors not utilized in comparing similar rain jackets).

³⁶ See *Plus Prods. v. Plus Discount Foods*, 722 F.2d 999, 1004 (2d Cir. 1983); *Lever Bros. v. American Bakeries Co.*, 693 F.2d 251, 253 (2d Cir. 1982); *Vitarroz*, 644 F.2d at 966. "No single *Polaroid* factor is determinative. Rather each must be considered in the context of all of the other factors, and from a balance of these determinations, one is able to reach the ultimate conclusion, whether there is a likelihood of confusion between the two parties' products." *Plus Prods.*, 722 F.2d at 1004.

³⁷ See *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1129-30 (2d Cir. 1982); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131-32 (2d Cir. 1979). See generally *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976) (early Second Circuit discussion of various categories for examining mark's distinctive qualities).

³⁸ See *Abercrombie*, 537 F.2d at 9. "A generic term is one that refers, or has come to be understood as referring, to the genus of which the particular product is a species." *Id.* There is no trademark protection for terms which are in the generic category because such protection "would grant the owner of the mark a monopoly, since a competitor could not describe his goods as what they are." *CES Publishing Corp. v. St. Regis Publications*, 531 F.2d 11, 13 (2d Cir. 1975).

The test for determining whether a particular mark is generic is whether the mark's "primary significance in the minds of potential buyers is the identification of a product category rather than a producer's brand name." Folsom & Teply, *Trademarked Generic Words*, 70 TRADEMARK REP. 206, 211 (1980) (footnote omitted); see also *Telemed Corp. v. Tel-Med, Inc.*, 588 F.2d 213, 216 (7th Cir. 1978) (generic term is "name or description of a kind of goods"). See generally 1 J. MCCARTHY, *supra* note 1, §§ 12:1-12:8, at 520-47 (discussion of generic category and its history).

³⁹ See *20th Century Wear, Inc. v. Sanmark-Stardust, Inc.*, 747 F.2d 81, 88 (2d Cir.), *cert. denied*, 470 U.S. 1052 (1984). Trademarks which simply describe the product or its purpose are "descriptive." See *id.*; 1 J. MCCARTHY, *supra* note 1, § 11:5, at 442-43. Protection to "descriptive" marks is only granted when the user of the mark can show that he has managed to evoke in consumers a recognition of "secondary meaning" in the mark as being the mark of the specific maker. See *American Footwear Corp. v. General Footwear Co.*, 609 F.2d 655, 663 (2d Cir.), *cert. denied*, 445 U.S. 951 (1979); 1 J. MCCARTHY, *supra* note 1, § 11:9, at 453-54, 457 (amount of secondary meaning evidence required increases as mark becomes more descriptive); *infra* note 41 (discussion of secondary meaning).

⁴⁰ See *Abercrombie*, 537 F.2d at 11; *Stix Prods. v. United Merchants & Mfrs.*, 295 F. Supp. 479, 488 (S.D.N.Y. 1968). A "suggestive mark" differs from a purely "descriptive

ful.⁴¹ Since a given trademark may not always fall clearly into one of these categories, the Second Circuit has suggested that these categories should simply serve as guidelines for the ultimate determination of "distinctiveness."⁴² Once evaluated, the strength of the

mark" in that "it requires imagination, thought and perception to reach a conclusion as to the nature of goods." *Id.* at 488.

⁴¹ See *Abercrombie*, 537 F.2d at 11 n.12. A "fanciful" term is generally one that is "invented solely for [its] use as" a trademark, while an arbitrary term is a word of common usage that "is applied in an unfamiliar way." *Id.*; see, e.g., *Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 610 (2d Cir.) ("Haymaker" fanciful or arbitrary as applied to women's shoes), *cert. denied*, 364 U.S. 909 (1960). It is difficult to distinguish between "arbitrary" and "suggestive" marks and both "fall within the same legal pigeon hole of classification in that neither category requires proof of secondary meaning for legal protection." 1 J. MCCARTHY, *supra* note 1, § 11:4, at 440; cf. *Stork Restaurant v. Sahati*, 166 F.2d 348, 355 (9th Cir. 1948) (fanciful trade name entitled to greater protection than non-fanciful ones).

The relationship between the mark and the particular product to which it is applied may be crucial in determining the nature of the mark. See *American Home Prods. v. Johnson Chem. Co.*, 589 F.2d 103, 106 (2d Cir. 1978). In a clever opinion determining the distinctiveness of the mark "ROACH MOTEL," Judge Gurfein stated, "While roaches may live in some motels . . . motels are surely not built for roaches Hence the mark is fanciful in conception. Indeed, its very incongruity is what catches one's attention." *Id.* at 106. It is not uncommon for a given trademark to shift among categories over time as the mark acquires or loses its distinctive character or a secondary meaning attaches. See *American Footwear*, 609 F.2d at 663. "Secondary meaning" refers to the meaning which consumers attach to an originally descriptive mark as signifying the goods of a specific manufacturer. See *id.*; J. CALIMAFDE, *TRADEMARKS AND UNFAIR COMPETITION* § 2.01, at 87-88 (1970); 1 A. SEIDEL, S. DUBROFF & E. GONDA, *TRADEMARK LAW AND PRACTICE* § 17.01, at 449 (1963). A mark is deemed to have acquired a secondary meaning if the user of the mark can demonstrate "that the primary significance of the term in the minds of the consuming public is not the product but the producer." *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938); see *20th Century Wear*, 747 F.2d at 90.

Just as usage and association may cause a mark to acquire a secondary meaning, entitling the term to protection, so too may common usage strip a mark of its distinctive nature. See, e.g., *King-Seeley Thermos Co. v. Aladdin Indus.*, 321 F.2d 577, 579 (2d Cir. 1963) (common usage of term "thermos" caused mark to become generic); see also 1 J. MCCARTHY, *supra* note 1, § 12:3 (listing various original brand names that have been held to be generic). The Lanham Act specifically provides for cancellation of a mark's registration when the mark becomes generic in nature. See Lanham Act § 14(c), 15 U.S.C. § 1064(c) (1982 & Supp. IV 1986).

⁴² See *Plus Prods. v. Plus Discount Foods*, 722 F.2d 999, 1005 (2d Cir. 1983). The *Plus Products* court stated that although such a "classification system is a helpful tool in conceptualizing this somewhat amorphous subject, it is not determinative, for the strength of a mark 'depends ultimately on its distinctiveness or its "origin-indicating" quality in the eyes of the purchasing public.'" *Id.* (quoting *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979)).

The court in *Abercrombie & Fitch Co. v. Hunting World, Inc.* recognized that "[t]he lines of demarcation [among the four categories] . . . are not always bright." 537 F.2d at 9. The court further stated that "the difficulties are compounded because a term that is in one category for a particular product may be in quite a different one for another." *Id.* (footnote

mark is then balanced with the remaining *Polaroid* factors to determine the ultimate likelihood of confusion.⁴³

The *Home Box Office* court held that upon a finding of likelihood of confusion, the infringing party has the burden of proving a disclaimer to be an adequate remedy.⁴⁴ This shift of the burden of proof was justified by the fact, *inter alia*, that the successful plaintiff had already established its right to the more severe remedy of an absolute injunction.⁴⁵ It is suggested that while the *Home Box Office* court was correct in shifting the burden of proof to the infringing party, it should have identified the specific burden that party must meet.⁴⁶

DEFINING THE PROPER SCOPE OF APPELLATE REVIEW

The circuit courts have been inconsistent in their review of Lanham Act injunctions,⁴⁷ disagreeing as to the nature, factual or legal, of the "likelihood of confusion" determination.⁴⁸ The Second Circuit considers the determination as to the individual *Polaroid* factors to be a question of fact, while it has viewed the weighing of these factors and ultimate conclusions derived therefrom as a question of law.⁴⁹ Furthermore, even those portions of the analysis deemed questions of fact have been subject to a *de novo* review when the circuit court has determined that it is in as good a position as the trial judge to decide the issue involved.⁵⁰

omitted).

⁴³ See *supra* note 36 and accompanying text (discussing balancing of factors).

⁴⁴ See *Home Box Office*, 832 F.2d at 1315-16.

⁴⁵ See *id.* at 1316.

⁴⁶ See *infra* note 56.

⁴⁷ See *supra* note 8 (examples of various circuits' definitions of abuse of discretion). Although there is general agreement among the circuits that the proper standard of review is "abuse of discretion," there is apparently no clear statement as to the standard's parameters. See *id.*; see also *Coca-Cola Co. v. Tropicana Prods.*, 690 F.2d 312, 315 (2d Cir. 1982) (discussing Second Circuit standard). "An abuse of discretion may consist of an error of law, an error of fact, or an error in the substance or form of the trial court's order." *Id.*

⁴⁸ See *supra* notes 28-30 and accompanying text.

⁴⁹ See *supra* notes 29-30 and accompanying text.

⁵⁰ See, e.g., *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1130-33 (2d Cir. 1982) (court re-examined the similarity of product labels and tags). Appellate courts in Lanham Act cases have often chosen to review various physical evidence bearing on similarity of the marks. See, e.g., *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1133-34 (1979) (comparing marks "DRIZZLE" and "DRIZZLER"); *American Home Prods. v. Johnson Chem. Co.*, 589 F.2d 103, 107 (1978) (similarity between marks "ROACH MOTEL" and "ROACH INN"). A justification offered for this approach is the belief of the appellate court that such evidence can be examined with equal scrutiny at the appellate level. *Miss Uni-*

The *Home Box Office* court, in affirming the trial court's determination of a likelihood of confusion, never addressed the *Polaroid* factors.⁵¹ Although these factors are not always utilized when the products involved are in direct competition, it is submitted that the *Polaroid* analysis should be uniformly utilized in determining the likelihood of consumer confusion.

In vacating that portion of the injunction that dealt with the appropriateness of the disclaimer remedy, the *Home Box Office* court failed to clearly state that the injunction, as granted, constituted an abuse of discretion under the established standard of review.⁵² Rather than deal exclusively with the question of the district court's discretion, the *Home Box Office* court confused matters by examining the actual adequacy of the disclaimers in a *de novo* fashion.⁵³ It is submitted that in so doing, the Second Circuit missed an opportunity to incorporate its burden of proof analysis into a comprehensive scheme of review.

Among the rationales for placing the burden of proof on the defendant as to the adequacy of a proposed disclaimer is the recognition that an infringing party has no right to continue the use of that mark until it can demonstrate that the original risk of consumer confusion can be eliminated through the use of a disclaimer.⁵⁴ Since the original determination of whether or not to grant a preliminary injunction is within the trial court's discretion, it would seem to follow logically that the decision to modify the injunction by means of a disclaimer should also be within that court's discretion.⁵⁵ Furthermore, it appears that the decision of the district court as to whether the infringing party has met its burden of proof on this issue should be subject to the same abuse of discretion standard of review as is the granting of the injunction itself. The *Home Box Office* court, although ostensibly applying

verse, Inc. v. Patricelli, 408 F.2d 506, 509 (2d Cir. 1969); see *Spring Mills*, 689 F.2d at 1130.

⁵¹ See *Home Box Office*, 832 F.2d at 1314-17. Nor were the *Polaroid* factors addressed by the district court. See *Home Box Office*, 665 F. Supp. at 1083-87.

⁵² See *Home Box Office*, 832 F.2d at 1315. The court indicated that "the record before [them was] not sufficient to support a finding that the disclaimers . . . [would have been] effective." *Id.* If taken to mean that the trial court's decision was based on insufficient evidence as a matter of law, such an error of law could constitute an abuse of discretion. See *Abrams v. Interco Inc.*, 719 F.2d 23, 28 (2d Cir. 1983) (error of law can be abuse of discretion).

⁵³ See *Home Box Office*, 832 F.2d at 1315.

⁵⁴ See *id.* at 1316.

⁵⁵ See *supra* note 7 and accompanying text (discussing disclaimers as used in preliminary injunctions).

this standard, failed to sufficiently articulate it, or even to specify clearly what the infringing party's burden on this issue should be.⁵⁶

By including the decision of disclaimer adequacy within the trial court's equitable discretion, the entire injunction, barring other reversible error, would be subject to reversal only upon a finding of abuse of discretion. Although this may seem to unduly restrict the function of the appellate court, it does not since the circuits are still at liberty to redefine their interpretation of "abuse" to broaden the scope of review.⁵⁷

CONCLUSION

When faced with a motion for a preliminary injunction under section 43(a), a district court must first determine the appropriateness of such a remedy by utilizing, when applicable, the appropriate *Polaroid* factors. If such remedy is warranted, the "*Home Box Office* shift" requires that the infringing party prove that the disclaimer it seeks to use would eliminate the likelihood of confusion that party has caused. The decision whether to grant and how to frame or modify such an injunction is committed to the sound discretion of the trial court.

On appeal, the circuit court's scope of review should be limited by established judicial standards. Specifically, the trial court's holding appertaining to injunctive relief should be subject to reversal or modification only if it constituted an abuse of discretion. It is urged that this comprehensive method would best utilize the test

⁵⁶ See *Home Box Office*, 832 F.2d at 1315-16. The *Home Box Office* court pointed out that the district court had reached its determination as to disclaimer adequacy on the basis of insufficient and, to an extent, improperly received evidence. See *id.* It is suggested, however, that by failing to state clearly that the procedures utilized constituted an abuse of discretion, the *Home Box Office* court failed to clearly identify the legal rationale it was relying upon as its basis for tampering with the district court's injunction. See *supra* note 52 (decision based upon insufficient evidence can be abuse of discretion as a matter of law).

With regard to the burden of proof issue, the *Home Box Office* court first stated that Showtime had a burden "to come forward with evidence" of the adequacy of the disclaimer, suggesting that the court might be creating a presumption of disclaimer inadequacy. *Home Box Office*, 832 F.2d at 1316. The "burden of coming forward" is generally utilized in reference to the rebuttal of a presumption. See Fed. R. Evid. 301.

Shortly thereafter, the *Home Box Office* court referred to Showtime's burden as a "burden of proof." See *Home Box Office*, 832 F.2d at 1316. Burden of proof as to a particular issue, or more precisely, burden of persuasion, unlike the burden of coming forward, never shifts but remains on the same party throughout the action. See *Simpson v. Home Petroleum Corp.*, 770 F.2d 499, 503-05 (5th Cir. 1985) (applying Texas law); Fed. R. Evid. 301 (burden of proof remains on the party upon whom it was originally cast).

⁵⁷ See Friendly, *supra* note 8, at 767-71, 784 (discussing flexibility of abuse standard).

of the *Home Box Office* court while preserving established precedent and standards.

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